

CITY OF TOLEDO

Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings and Questioned Costs

June 30, 2007

CITY OF TOLEDO

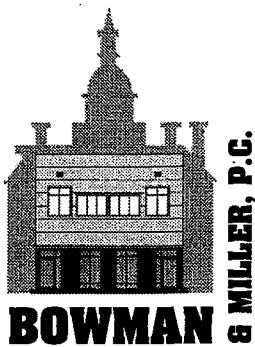
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CITY OF TOLEDO

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
William Christensen	Mayor	December 31, 2007
Donna Princehouse	Mayor Pro-Tem	December 31, 2007
Pete Zmolek	Council Member	December 31, 2009
Dan Ferris	Council Member	December 31, 2007
Elmer (Skip) Wilson	Council Member	December 31, 2009
Kyle Chaska	Council Member	December 31, 2009
Carolyn Brownfield	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Toledo's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, as of June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2007 on our consideration of the City of Toledo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 23 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toledo's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2006 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the two years ended June 30, 2005 and 2004 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 16, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Toledo provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts and transfers of the City's governmental activities increased 29.32%, or \$786,643 from fiscal 2006 to fiscal 2007. Property tax increased \$334,085, proceeds from debt issuance increased \$45,400 and capital grants, contributions and restricted interest increased \$390,805.
- Disbursements increased 19.36% or \$561,911 in fiscal 2007 from fiscal 2006 in the governmental activities. Public safety and debt service disbursements increased \$107,798 and \$628,420, respectively. Capital projects disbursements decreased by \$44,564.
- The City's total cash basis net assets increased 10.64% or \$107,617 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased \$4,961 and the assets of the business type activities increased by \$102,656.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and solid waste. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1.) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Tax Increment Financing and Ambulance Equipment, 3) the Debt Service Fund, and 4) the Capital Projects Funds such as the Day Care Center and Deer Creek Bridge. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2.) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$554,894 to \$559,855. The analysis that follows focuses on the changes in cash basis for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 282,379	239,257
Operating grants, contributions and restricted interest	256,527	315,474
Capital grants, contributions and restricted interest	913,101	522,296
General receipts:		
Property tax	1,170,873	836,788
Other city tax	87,259	56,198
Local option sales tax	153,091	131,205
Unrestricted interest on investments	9,069	9,061
Loan proceeds	555,400	510,000
Miscellaneous	42,076	26,690
Transfers, net	-	36,163
Total receipts and transfers, net	<u>3,469,775</u>	<u>2,683,132</u>
Disbursements:		
Public safety	608,738	500,940
Public works	227,432	253,431
Culture and recreation	241,929	257,869
Community and economic development	23,349	39,770
General government	269,839	341,222
Debt service	1,090,034	461,614
Capital projects	1,003,493	1,048,057
Total disbursements	<u>3,464,814</u>	<u>2,902,903</u>
Change in cash basis net assets	4,961	(219,771)
Cash basis net assets beginning of year	<u>554,894</u>	<u>774,665</u>
Cash basis net assets end of year	<u>\$ 559,855</u>	<u>554,894</u>

Total receipts for the City's governmental activities increased by 29.32% or \$786,643. The total cost of all programs and services increased by \$561,911, or 19.36%, with no new programs added this year. The significant increase in receipts was primarily due to an increase in tax collections in the amount of \$387,032 and receipt of a capital grant for Deer Creek Bridge in the amount of \$604,825 from 2006 to 2007.

The cost of all governmental activities this year was \$3,464,814 compared to \$2,902,903 last year. However, as shown on the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was \$2,012,807 because some of the cost was paid by those who directly benefited from the programs (\$282,379) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$1,169,628). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2007 from \$1,077,027 to \$1,452,007. The City paid the remaining "public benefit" portion of governmental activities with \$2,012,807 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities			
		Year Ended June 30,	
		2007	2006
Receipts:			
Program receipts:			
Charges for service			
Water	\$	263,539	240,791
Sewer		238,257	203,880
Solid waste		12,297	10,614
Reinig estate		63,615	59,505
Child care facility		3,502	-
Operating grants, contributions and restricted interest		15,801	10,290
Total receipts		597,011	525,080
Disbursements and transfers:			
Water		208,651	213,460
Sewer		194,640	201,291
Solid waste		16,268	17,866
Reinig estate		71,294	57,494
Child care facility		3,502	-
Transfers, net		-	36,163
Total disbursements and transfers, net		494,355	526,274
Change in cash basis net assets		102,656	(1,194)
Cash basis net assets beginning of year		456,642	457,836
Cash basis net assets end of year	\$	559,298	456,642

Total business type activities receipts for the fiscal year were \$597,011 compared to \$525,080 last year. Total disbursements and transfers for the fiscal year decreased by 6.07% to a total of \$494,355.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$559,855, an increase of \$4,961 from last year's total of \$554,894. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance was increased by \$45,200. This is due mainly to an increase in property tax collections.
- The Employee Benefits Fund cash balance for 2007 was \$138,827 an increase of \$53,629 from 2006. The City increased the employee benefit tax levy resulting in \$156,656 additional tax dollars being received to cover an increase in medical insurance premium costs.
- The Road Use Tax Fund cash balance increased by \$38,905 to \$130,459 during the fiscal year. A decrease in current year expenditures contributed to this increase.
- The Ambulance Fund decreased by \$149,347 to an ending balance of \$69,731. The decrease was due to a transfer to the general fund to cover costs associated with new equipment purchase.
- The Urban Renewal Tax Increment cash balance was \$21,622 at the end of 2007. This balance was relatively the same compared to the prior year.
- The Debt Service Fund cash balance for 2007 was \$20,911. This fund is used to pay off general obligation bonds and notes. In 2007, the City transferred funds from the Local Option Sales Tax Fund and the Tax Increment Financing Fund to pay a portion of the debt.
- The Capital Project Funds cash balances remained relatively the same from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Utility Fund cash balance increased by \$60,677 to \$305,487. The increase was primarily due to an automatic annual rate increase January 1.
- The Sewer Utility Fund cash balance increased by \$44,813 to \$162,158, primarily due to an automatic annual rate increase January 1.
- The Water Sinking Fund cash balance increased by \$6,052 to \$69,282.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 29, 2007 and included an increase of \$1,583,635 to capital projects expenditures and debt proceeds related to finishing the Day Care Center, Aquatic Center and the Deer Creek Bridge projects.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$2,957,516 in bonds and other long-term debt, compared to \$3,382,173 last year as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2007	2006
General obligation bonds	\$ 1,315,000	1,470,000
General obligation notes	740,808	951,642
Revenue bonds	311,708	330,531
Revenue notes	500,000	510,000
Contracts	90,000	120,000
Total	<u>\$ 2,957,516</u>	<u>3,382,173</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The city's outstanding general obligation debt of \$2,145,808 is below its constitutional debt limit of \$ 2,568,695.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Toledo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for various City activities.

During the fiscal year 2007-08 budget year, the City will begin incurring engineer fees and startup costs associated with the construction of a new sewer plant. They also anticipate purchasing \$350,000 in new equipment for the Public Works department. With the increase in energy costs and fuel for City vehicles a budget amendment may be required.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carolyn Brownfield, City Clerk, at PO Box 234, Toledo, Iowa 52342

Basic Financial Statements

CITY OF TOLEDO

Statement of Activities and Net Assets-Cash Basis

As of and for the year ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 608,738	246,205	29,120	6,466
Public works	227,432	-	211,613	19,184
Culture and recreation	241,929	5,559	10,698	-
Community and economic development	23,349	-	-	-
General government	269,839	30,615	5,096	-
Debt service	1,090,034	-	-	-
Capital projects	1,003,493	-	-	887,451
Total governmental activities	3,464,814	282,379	256,527	913,101
Business type activities:				
Water	208,651	263,539	11,841	-
Sewer	194,640	238,257	3,930	-
Solid waste	16,268	12,297	30	-
Reinig estate	71,294	63,615	-	-
Child Care Facility	3,502	3,502	-	-
Total business type activities	494,355	581,210	15,801	-
Total	\$ 3,959,169	863,589	272,328	913,101

General Receipts:

Property tax levied for:	
General purposes	
Employee benefits	
Tax increment financing	
Debt service	
Other city tax	
Local option sales tax	
Unrestricted interest on investments	
Loan proceeds	
Miscellaneous	
Total general receipts	
Change in cash basis net assets	
Cash basis net assets beginning of year	
Cash basis net assets end of year	

Cash Basis Net Assets

Restricted:	
Streets	
Urban renewal purposes	
Debt service	
Unrestricted	
Total cash basis net assets	

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(326,947)	-	(326,947)
3,365	-	3,365
(225,672)	-	(225,672)
(23,349)	-	(23,349)
(234,128)	-	(234,128)
(1,090,034)	-	(1,090,034)
(116,042)	-	(116,042)
(2,012,807)	-	(2,012,807)
-	66,729	66,729
-	47,547	47,547
-	(3,941)	(3,941)
-	(7,679)	(7,679)
-	-	-
-	102,656	102,656
(2,012,807)	102,656	(1,910,151)
448,455	-	448,455
250,626	-	250,626
241,150	-	241,150
230,642	-	230,642
87,259	-	87,259
153,091	-	153,091
9,069	-	9,069
555,400	-	555,400
42,076	-	42,076
2,017,768	-	2,017,768
4,961	102,656	107,617
554,894	456,642	1,011,536
\$ 559,855	559,298	1,119,153
\$ 130,459	-	130,459
21,622	-	21,622
20,911	101,973	122,884
386,863	457,325	844,188
\$ 559,855	559,298	1,119,153

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2007

	Special Revenue				
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Ambulance Equipment
Receipts:					
Property tax	\$ 448,455	-	250,626	-	-
Tax increment financing	-	-	-	241,150	-
Other city tax	87,259	-	-	-	-
Intergovernmental	33,046	211,613	-	-	-
Licenses and permits	8,608	-	-	-	-
Charges for service	52,386	-	-	-	197,209
Use of money and property	15,869	-	-	1,234	7,905
Special assessments	-	-	-	-	-
Miscellaneous	29,094	-	5,844	-	-
Total receipts	674,717	211,613	256,470	242,384	205,114
Disbursements:					
Operating:					
Public safety	518,223	-	90,515	-	-
Public works	-	172,708	54,724	-	-
Culture and recreation	195,091	-	40,090	-	-
Community and economic development	23,349	-	-	-	-
General government	252,327	-	17,512	-	-
Debt service	30,000	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	1,018,990	172,708	202,841	-	-
Excess (deficiency) of receipts over (under) disbursements	(344,273)	38,905	53,629	242,384	205,114
Other financing sources (uses):					
Sale of capital assests	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Operating transfers in	389,473	-	-	-	-
Operating transfers out	-	-	-	(240,594)	(354,461)
Total other financing sources (uses)	389,473	-	-	(240,594)	(354,461)
Net change in cash balances	45,200	38,905	53,629	1,790	(149,347)
Cash balances beginning of year	21,788	91,554	85,198	19,832	219,078
Cash balances end of year	\$ 66,988	130,459	138,827	21,622	69,731
Cash Basis Fund Balances					
Reserved for debt service	\$ -	-	-	-	-
Unreserved:					
General fund	66,988	-	-	-	-
Special revenue funds	-	130,459	138,827	21,622	69,731
Capital projects fund	-	-	-	-	-
Total cash basis fund balances	\$ 66,988	130,459	138,827	21,622	69,731

Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
	Deer Creek Bridge	Day Care Center		
230,642	-	-	-	929,723
-	-	-	-	241,150
-	-	-	153,091	240,350
-	604,825	219,656	4,036	1,073,176
-	-	-	-	8,608
-	-	-	9,501	259,096
-	-	-	6,508	31,516
-	-	-	16,350	16,350
-	-	60,067	3,418	98,423
230,642	604,825	279,723	192,904	2,898,392
-	-	-	-	608,738
-	-	-	-	227,432
-	-	-	6,748	241,929
-	-	-	-	23,349
-	-	-	-	269,839
474,488	-	585,546	-	1,090,034
-	751,082	246,689	5,722	1,003,493
474,488	751,082	832,235	12,470	3,464,814
(243,846)	(146,257)	(552,512)	180,434	(566,422)
-	-	-	-	-
-	-	555,400	-	555,400
243,846	146,257	-	15,983	795,559
-	-	-	0	(595,055)
243,846	146,257	555,400	15,983	755,904
-	-	2,888	196,417	189,482
20,911	-	(1,429)	-	456,932
20,911	-	1,459	196,417	646,414
20,911	-	-	-	20,911
-	-	-	-	66,988
-	-	-	-	360,639
-	-	1,459	73,142	74,601
20,911	-	1,459	73,142	523,139

CITY OF TOLEDO

Exhibit C

Statement of Cash Receipts, Disbursements and Changes in Cash Balances

Proprietary Funds

As of and for the year ended June 30, 2007

	Enterprise Funds				Total
	Water Utility	Sewer Utility	Water Sinking Fund	Nonmajor Enterprise Funds	
Operating receipts:					
Charges for services	\$ 256,500	237,557	-	12,297	506,354
Miscellaneous	7,039	700	-	34,492	42,231
Total operating receipts	263,539	238,257	-	46,789	548,585
Operating disbursements:					
Business type activities	173,800	194,640	-	87,562	456,002
Excess (deficiency) of operating receipts over (under) operating disbursements	89,739	43,617	-	(40,773)	92,583
Non-operating receipts (disbursements):					
Interest on investments	8,942	1,196	2,899	2,764	15,801
Rent	-	-	-	32,625	32,625
Debt service	-	-	(34,851)	(3,502)	(38,353)
Total non-operating receipts (disbursements)	8,942	1,196	(31,952)	31,887	10,073
Excess (deficiency) of receipts over (under) disbursements	98,681	44,813	(31,952)	(8,886)	102,656
Other financing sources (uses):					
Operating transfers in	-	-	38,004	-	38,004
Operating transfers out	(38,004)	-	-	-	(38,004)
Total other financing sources (uses)	(38,004)	-	38,004	-	-
Net change in cash balances	60,677	44,813	6,052	(8,886)	102,656
Cash balances beginning of year	244,810	117,345	63,230	31,257	456,642
Cash balances end of year	\$ 305,487	162,158	69,282	22,371	559,298
Cash Basis Fund Balances					
Reserved for debt service	\$ -	-	69,282	32,691	101,973
Unreserved	305,487	162,158	-	(10,320)	457,325
Total cash basis fund balances	\$ 305,487	162,158	69,282	22,371	559,298

See notes to financial statements.

CITY OF TOLEDO
Notes to Financial Statements
June 30, 2007

Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Toledo has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for benefits paid to employees.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Ambulance Equipment Fund is used to purchase equipment for the ambulance service provided to citizens.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects Funds:

The Day Care Center Fund is used to account for the construction of a new day care center.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2007

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Capital Projects Funds (Continued):

The Deer Creek Bridge Fund is used to account for the replacement of the Deer Creek bridge.

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the operation and maintenance of the City's water system.

The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system

The Water Sinking Fund is used to account for amounts necessary to make annual revenue bond and interest payments.

C. Measurement Focus and Basis of Accounting

The City of Toledo maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in Debt Service.

CITY OF TOLEDO

Notes to Financial Statements (Continued)

June 30, 2007

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City has one certificate of deposit held by a local bank.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 – Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, water revenue bonds and notes, and contracts are as follows:

Year Ending June 30	General Obligation Bonds		General Obligation Notes		Water Revenue Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 75,000	57,141	162,317	28,691	19,175	15,676
2009	55,000	54,380	174,853	21,770	20,133	14,718
2010	55,000	52,591	65,460	14,359	21,140	13,711
2011	60,000	50,690	87,145	12,194	22,197	12,654
2012	65,000	48,501	101,034	8,905	23,307	11,544
2013	65,000	46,023	50,000	4,825	24,472	10,379
2014	70,000	43,447	50,000	3,000	25,696	9,155
2015	70,000	40,607	50,000	1,025	26,981	7,870
2016	75,000	37,697	-	-	28,330	6,521
2017	75,000	34,507	-	-	29,746	5,105
2018	80,000	31,242	-	-	31,233	3,618
2019	85,000	27,672	-	-	32,795	2,056
2020	90,000	23,797	-	-	6,503	416
2021	90,000	19,607	-	-	-	-
2022	100,000	15,283	-	-	-	-
2023	100,000	10,372	-	-	-	-
2024	105,000	5,463	-	-	-	-
Total	<u>\$ 1,315,000</u>	<u>599,020</u>	<u>740,809</u>	<u>94,769</u>	<u>311,708</u>	<u>113,423</u>

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2007

Note 3 – Bonds and Notes Payable (Continued)

Year Ending June 30	Contracts		Child Care Center Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	30,000	-	-	20,625	286,492	122,133
2009	30,000	-	5,580	20,520	285,566	111,388
2010	30,000	-	5,814	20,286	177,414	100,947
2011	-	-	6,059	20,041	175,401	95,579
2012	-	-	6,313	19,787	195,654	88,737
2013	-	-	6,579	19,521	146,051	80,748
2014	-	-	6,855	19,245	152,551	74,847
2015	-	-	7,143	18,956	154,124	68,458
2016	-	-	7,444	18,656	110,774	62,874
2017	-	-	7,757	18,343	112,503	57,955
2018	-	-	8,083	18,017	119,316	52,877
2019	-	-	8,423	17,677	126,218	47,405
2020	-	-	8,777	17,323	105,280	41,536
2021	-	-	9,146	16,954	99,146	36,561
2022	-	-	9,530	16,570	109,530	31,853
2023	-	-	9,931	16,169	109,931	26,541
2024-2046	-	-	386,566	211,789	491,566	217,252
Total	\$ 90,000	-	500,000	510,479	2,957,517	1,317,691

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate Water and Child Care Center revenue sinking accounts within the Enterprise Funds for the purpose of making the principal and interest payments when due.
- c) Additional monthly transfers of \$218 to a Child Care Center reserve account within the Enterprise Fund shall be made until \$26,100 has been accumulated. This account is restricted for the purpose of transferring and crediting to the sinking account whenever necessary to prevent or remedy a default in the payment of the principal or interest on the notes.
- d) Additional monthly transfers of \$368 to a Child Care Center depreciation account within the Enterprise Fund shall be made. This account is restricted for the purpose of paying for any repairs, replacements and improvements to the Child Care Center.

CITY OF TOLEDO

Notes to Financial Statements (Continued)

June 30, 2007

Note 3 – Bonds and Notes Payable (Continued)

- e) All funds remaining in the Child Care Center account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the building or for note and interest payments which the other accounts might be unable to make.

As of June 30, 2007, the City has established the depository accounts required by the bond resolution for the water revenue bonds. The required depository accounts for the Child Care Facility had not been established as of June 30, 2007.

Note 4 – Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$33,731, \$35,146, and \$35,462, respectively, equal to the required contributions for each year.

Note 5 – Compensated Absences

City employees accumulate vacation hours based on the length of employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the city until used or paid. The City was liable for \$16,539 in accumulated vacation time. This liability has been computed based on the rate of pay as of June 30, 2007.

Note 6 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Ambulance Equipment	\$ 354,461
	Capital Projects:	
	Aquatic Center	5,706
	Library	29,306
		<u>389,473</u>

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2007

Note 6 – Interfund Transfers (Continued)

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	153,327
	Local Option Sales Tax	74,169
	Special Assessments	16,350
		<u>243,846</u>
Capital Projects:	Special Revenue:	
Deer Creek Bridge	Local Option Sales Tax	58,990
	Tax Increment Financing	87,267
		<u>146,257</u>
Enterprise:	Enterprise:	

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 7 – Risk Management

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 – Lease

On March 27, 2006 the City entered into a lease with the Tama County Day Care Center (Day Care Center) whereas the City would lease the building to be constructed and surrounding grounds at 403 W. Commercial Street. The term of the lease begins on the 1st day of building completion, which was April 2007. The lease expires June 30, 2010. The lease by the Day Care Center is being treated as an operating lease by the City.

The future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2008	\$ 27,660
2009	33,132
2010	33,132
	<u>\$ 93,924</u>

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2007

Note 9 – Commitments

At June 30, 2007, the City of Toledo had two contracts for the Deer Creek bridge replacement. The outstanding balance of the contracts for this project totaled \$92,188.

Note 10 – Deficit Balances

The Reinig Estate Fund had a deficit balance of \$5,668 at June 30, 2007. The deficit was due to landscaping expenses, which will be eliminated with a transfer from general fund. The Solid Waste Fund had a deficit balance of \$4,652 at June 30, 2007. The deficit was a result of the timing difference in collection of solid waste fees and the per capita fee due the Tama County Solid Waste Commission.

Required Supplementary Information

CITY OF TOLEDO

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances-Budget and Actual (Cash Basis)

All Governmental Funds and Proprietary Funds

Required Supplementary Information

June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 929,723	-
Tax increment financing collections	241,150	-
Other city tax	240,350	-
Intergovernmental	1,073,176	-
Licenses and permits	8,608	-
Charges for service	259,096	506,354
Use of money and property	31,516	48,426
Special assessments	16,350	-
Miscellaneous	98,423	42,231
Total receipts	<u>2,898,392</u>	<u>597,011</u>
Disbursements:		
Public safety	608,738	-
Public works	227,432	-
Culture and recreation	241,929	-
Community and economic development	23,349	-
General government	269,839	-
Debt service	1,090,034	-
Capital projects	1,003,493	-
Business type activities	-	494,355
Total disbursements	<u>3,464,814</u>	<u>494,355</u>
Excess (deficiency) of receipts over (under) disbursements	(566,422)	102,656
Other financing sources (uses), net	<u>571,383</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	4,961	102,656
Balances beginning of year	<u>554,894</u>	<u>456,642</u>
Balances end of year	<u><u>\$ 559,855</u></u>	<u><u>559,298</u></u>

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
929,723	896,482	896,482	33,241
241,150	225,577	225,577	15,573
240,350	245,472	245,472	(5,122)
1,073,176	282,314	282,314	790,862
8,608	6,150	6,150	2,458
765,450	677,876	677,876	87,574
79,942	8,096	8,096	71,846
16,350	16,279	16,279	71
140,654	231,577	280,682	(140,028)
3,495,403	2,589,823	2,638,928	856,475
608,738	590,154	620,154	11,416
227,432	322,825	322,825	95,393
241,929	325,453	339,358	97,429
23,349	18,607	23,807	458
269,839	298,625	298,625	28,786
1,090,034	473,245	473,245	(616,789)
1,003,493	-	1,583,635	580,142
494,355	539,208	539,208	44,853
3,959,169	2,568,117	4,200,857	241,688
(463,766)	21,706	(1,561,929)	1,098,163
571,383	-	1,583,635	(1,012,252)
107,617	21,706	21,706	85,911
1,011,536	1,531,521	1,531,521	(519,985)
1,119,153	1,553,227	1,553,227	(434,074)

CITY OF TOLEDO

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$1,632,740. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the debt service function.

Other Supplementary Information

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2007

	Special Revenue			
	Local Option Sales Tax	Gift Trust	Fire Equipment	Special Assessments
Receipts:				
Other city tax	\$ 153,091	-	-	-
Special assessments	-	-	-	16,350
Intergovernmental	-	4,036	-	-
Charges for services	5,559	-	3,942	-
Use of money and property	5,096	210	729	-
Miscellaneous	-	657	-	-
Total receipts	163,746	4,903	4,671	16,350
Disbursements:				
Operating:				
Culture and recreation	6,056	692	-	-
Capital projects	-	-	-	-
Total disbursements	6,056	692	-	-
Excess (deficiency) of receipts over (under) disbursements	157,690	4,211	4,671	16,350
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	(133,159)	-	-	(16,350)
Total other financing sources (uses)	(133,159)	-	-	(16,350)
Net change in cash balances	24,531	4,211	4,671	-
Cash balances at beginning of year	19,773	3,073	16,883	-
Cash balances at end of year	\$ 44,304	7,284	21,554	-
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 44,304	7,284	21,554	-
Capital project funds	-	-	-	-
Total cash basis fund balances	\$ 44,304	7,284	21,554	-

Capital Projects				
Aquatic Center	Library	Housing Project	Storm Sewer Project	Total
-	-	-	-	153,091
-	-	-	-	16,350
-	-	-	-	4,036
-	-	-	-	9,501
142	-	-	331	6,508
2,761	-	-	-	3,418
2,903	-	-	331	192,904
-	-	-	-	6,748
530	-	5,192	-	5,722
530	-	5,192	-	12,470
2,373	-	(5,192)	331	180,434
-	-	15,983	-	15,983
-	-	-	-	-
(5,706)	(29,306)	-	-	(184,521)
(5,706)	(29,306)	15,983	-	(168,538)
(3,333)	(29,306)	10,791	331	11,896
3,333	29,306	665	24,929	97,962
-	-	11,456	25,260	109,858
-	-	-	-	73,142
-	-	11,456	25,260	36,716
-	-	11,456	25,260	109,858

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds
As of and for the year ended June 30, 2007

	Sewer Sinking Fund	Solid Waste	Reinig Estate	Child Care Facility Revenue Fund	Total
Operating receipts:					
Charges for services	\$ -	12,297	-	-	12,297
Miscellaneous	-	-	30,990	3,502	34,492
Total operating receipts	-	12,297	30,990	3,502	46,789
Operating disbursements:					
Business type activities	-	16,268	71,294	-	87,562
Excess (deficiency) of operating receipts over (under) operating disbursements	-	(3,971)	(40,304)	3,502	(40,773)
Non-operating receipts:					
Interest on investments	2,734	30	-	-	2,764
Rent	-	-	32,625	-	32,625
Debt service	-	-	-	(3,502)	(3,502)
Total non-operating receipts (disbursements)	2,734	30	32,625	(3,502)	31,887
Net change in cash balances	2,734	(3,941)	(7,679)	-	(8,886)
Cash balances beginning of year	29,957	(711)	2,011	-	31,257
Cash balances end of year	\$ 32,691	(4,652)	(5,668)	-	22,371
Cash Basis Fund Balances					
Reserved for debt service	\$ 32,691	-	-	-	32,691
Unreserved	-	(4,652)	(5,668)	-	(10,320)
Total cash basis fund balances	\$ 32,691	(4,652)	(5,668)	-	22,371

CITY OF TOLEDO
Schedule of Indebtedness
Year Ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water revenue	Aug 1, 1993	5.40%	\$ 1,455,000
GO Bond	May 1, 1997	5.20%	650,000
Aquatic center	Aug 1, 2004	3.20-5.25%	1,005,000
Aquatic center	Aug 1, 2004	3.00-5.05%	400,000
Total			<u>\$ 3,510,000</u>
General obligation notes:			
Street improvement	Jun 19, 2000	5.35-5.40%	\$ 711,000
Fire truck	May 21, 2002	4.75%	260,000
Library	Jan 26, 2005	2.45-4.10%	400,000
Total			<u>\$ 1,371,000</u>
Revenue bonds:			
Water	Feb 14, 1983	3.00-5.05%	<u>\$ 587,800</u>
Revenue notes:			
Child care center	Nov 14, 2005	3.15%	\$ 800,000
Child care center	Apr 30, 2007	4.125%	500,000
			<u>\$ 1,300,000</u>
Contracts:			
Real estate	Jan 3, 2005	0%	<u>\$ 150,000</u>

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
40,000	-	20,000	20,000	2,140	-
80,000	-	80,000	-	4,160	-
965,000	-	40,000	925,000	40,553	-
385,000	-	15,000	370,000	17,023	-
1,470,000	-	155,000	1,315,000	63,876	-
361,000	-	150,000	211,000	19,294	-
220,642	-	30,834	189,809	10,481	-
370,000	-	30,000	340,000	12,605	-
951,642	-	210,834	740,809	42,380	-
330,531	-	18,823	311,708	16,028	-
510,000	55,400	565,400	-	20,146	-
-	500,000	-	500,000	3,502	-
510,000	555,400	565,400	500,000	23,648	-
120,000	-	30,000	90,000	-	-

CITY OF TOLEDO
Bond and Note Maturities
June 30, 2007

General Obligation Bonds						
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Water Revenue</u>		<u>Aquatic Center</u>		<u>Aquatic Center</u>	
	<u>Issued Aug. 1, 1993</u>		<u>Issued Aug. 1, 2004</u>		<u>Issued Aug. 1, 2004</u>	
	Interest		Interest		Interest	
	Rates	Amount	Rate	Amount	Rate	Amount
2008	5.40 %	\$ 20,000	3.20 %	\$ 15,000	3.00 %	\$ 40,000
2009		-	3.40	15,000	3.20	40,000
2010		-	3.60	15,000	3.40	40,000
2011		-	3.80	15,000	3.60	45,000
2012		-	3.95	20,000	3.75	45,000
2013		-	4.10	20,000	3.90	45,000
2014		-	4.20	20,000	4.00	50,000
2015		-	4.30	20,000	4.10	50,000
2016		-	4.40	20,000	4.20	55,000
2017		-	4.50	20,000	4.30	55,000
2018		-	4.60	25,000	4.40	55,000
2019		-	4.70	25,000	4.50	60,000
2020		-	4.80	25,000	4.60	65,000
2021		-	4.95	25,000	4.75	65,000
2022		-	5.05	30,000	4.85	70,000
2023		-	5.15	30,000	4.95	70,000
2024 - 2046		-	5.25	30,000	5.05	75,000
Total		<u>\$ 20,000</u>		<u>\$ 370,000</u>		<u>\$ 925,000</u>

General Obligation Notes						
<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Street Improvement</u>		<u>Fire Truck</u>		<u>Library</u>	
	<u>Issued June 19, 2000</u>		<u>Issued May 21, 2002</u>		<u>Issued Jan. 26, 2005</u>	
	Interest		Interest		Interest	
	Rates	Amount	Rate	Amount	Rate	Amount
2008	5.35 %	\$ 100,000	4.75 %	\$ 32,317	2.45 %	\$ 30,000
2009	5.40	111,000	4.75	33,853	2.70	30,000
2010		-	4.75	35,460	2.95	30,000
2011		-	4.75	37,145	3.50	50,000
2012		-	4.75	51,034	3.65	50,000
2013		-		-	3.80	50,000
2014		-		-	3.95	50,000
2015		-		-	4.10	50,000
Total		<u>\$ 211,000</u>		<u>\$ 189,809</u>		<u>\$ 340,000</u>

Water Revenue Bonds			Revenue Notes		
Issued Feb. 14, 1983			Child Care Center		
Interest			Issued Apr. 30, 2007		
Rate	Amount		Rate	Amount	Total
3.00 %	\$ 19,175		4.125 %	\$ -	\$ 94,175
3.20	20,133		4.125	5,580	80,713
3.40	21,140		4.125	5,814	81,954
3.60	22,197		4.125	6,059	88,256
3.75	23,307		4.125	6,313	94,620
3.90	24,472		4.125	6,579	96,051
4.00	25,696		4.125	6,855	102,551
4.10	26,981		4.125	7,143	104,124
4.20	28,330		4.125	7,444	110,774
4.30	29,746		4.125	7,757	112,503
4.40	31,233		4.125	8,083	119,316
4.50	32,795		4.125	8,423	126,218
4.60	6,503		4.125	8,777	105,280
4.75	-		4.125	9,146	99,146
4.85	-		4.125	9,530	109,530
4.95	-		4.125	9,931	109,931
5.05	-		4.125	386,566	491,566
	<u>\$ 311,708</u>			<u>\$ 500,000</u>	<u>\$ 2,126,708</u>

Contracts		
Real Estate		
Issued Jan. 3, 2005		
Interest		
Rate	Amount	Total
0 %	\$ 30,000	\$ 192,317
	30,000	204,853
	30,000	95,460
	-	87,145
	-	101,034
	-	50,000
	-	50,000
	-	50,000
	<u>\$ 90,000</u>	<u>\$ 830,809</u>

CITY OF TOLEDO

Schedule 5

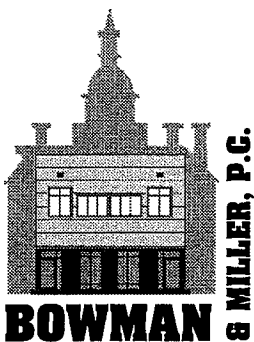
Schedule of Receipts By Source and Disbursements by Function- All Governmental Funds For the Last Four Years

	2007	2006	2005	2004
Receipts:				
Property tax	\$ 929,723	655,072	795,644	768,290
Tax increment financing collections	241,150	181,716	114,003	64,186
Other city tax	240,350	187,403	211,542	175,149
Intergovernmental	1,073,176	675,868	219,645	227,244
Licenses and permits	8,608	3,896	27,301	22,974
Charges for services	259,096	211,365	39,348	47,774
Use of money and property	31,516	25,450	31,953	24,402
Special assessments	16,350	9,255	19,618	14,032
Miscellaneous	98,423	170,651	1,164,122	955,589
Total	\$ 2,898,392	2,120,676	2,623,176	2,299,640
Disbursements:				
Operating:				
Public safety	\$ 608,738	500,940	456,775	370,519
Public works	227,432	253,431	296,595	277,218
Culture and recreation	241,929	257,869	243,387	306,754
Community and economic development	23,349	39,770	181,362	204,155
General government	269,839	341,222	317,135	268,226
Debt service	1,090,034	461,614	359,262	287,311
Capital projects	1,003,493	1,048,057	2,548,724	962,651
Total	\$ 3,464,814	2,902,903	4,403,240	2,676,834

CITY OF TOLEDO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-7692(601)-8J-86	\$ 596,212
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants -			
States Programs	14.228	04-CF-043-03	58,385
Total			<u>\$ 654,597</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Toledo and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 16, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Toledo's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Toledo's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Toledo's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Toledo's financial statements that is more than inconsequential will not be prevented or detected by the City of Toledo's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Toledo's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Toledo's responses and, accordingly, we express no opinion on them.

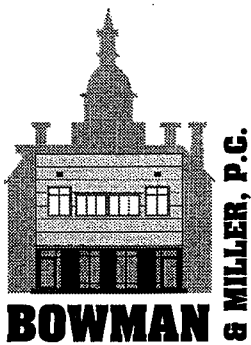
This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Toledo and other parties to whom the City of Toledo may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Toledo during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 16, 2007

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133



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Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Toledo, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The City of Toledo's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Toledo's management. Our responsibility is to express an opinion on the City of Toledo's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Toledo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Toledo's compliance with those requirements.

In our opinion, the City of Toledo complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Toledo is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Toledo's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

The City of Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Toledo's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Toledo and other parties to whom the City of Toledo may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Bowman and Miller, P.C.

Marshalltown, Iowa
November 16, 2007

CITY OF TOLEDO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) The City of Toledo did not qualify as a low-risk auditee.

CITY OF TOLEDO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – We will review procedures and find a solution to this issue

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 20.205: Highway Planning and Construction
Pass-through Agency Number: BROS-7692(601)-8J-86
Federal Award Year: 2007
Department of Transportation
Passed through the Iowa Department of Transportation

III-A-07 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-07

CITY OF TOLEDO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in debt service. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under and annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will make certain that the budget is amended in accordance with Chapter 384.18 of the Code of Iowa.

Conclusion – Response accepted.

IV-B-07 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 24, 1979.

IV-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions – No business transactions between the City and City officials or employees were noted.

IV-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The Council did not approve all inter-fund operating transfers in accordance with Chapter 331.432 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and should approve all inter-fund operating transfers in accordance with Chapter 331.432 of the Code of Iowa.

Response – Inter-fund transfers will be approved in accordance with Chapter 331.432 of the Code of Iowa.

Conclusion – Response accepted.

IV-G-07 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

IV-H-07 Revenue Bonds and Notes – The City is required to comply with revenue bond and note resolutions. The City did not make the required payments to the Child Care Center sinking account, reserve account and depreciation account.

CITY OF TOLEDO
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Recommendation – The City has not established Child Care Center revenue note sinking accounts as required by the revenue bond resolution. The City should establish these accounts and make the required transfers in accordance with the note provisions.

Response – The City will notify the Day Care Center on the additional funds that are required to establish the required accounts.

Conclusion – Response accepted.

IV- I- 07 Financial Condition – The Reinig Estate Fund and the Solid Waste Fund had deficit balances of \$5,668 and \$4,652 respectively at June 30, 2007.

Recommendation – The City should investigate alternatives to eliminate the deficits in order to return the funds to a sound financial position.

Response – The general fund will transfer funds to cover the Reinig Estate Fund deficit. Solid waste fees have been raised to eliminate the deficit balance.

Conclusion – Response accepted.

CITY OF TOLEDO
Audit Staff

This audit was performed by:

Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158

Personnel:

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